

March 15, 2010

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) March 9, 2010 Short-Term Energy Outlook:

Spot prices, natural gas. The Henry Hub average natural gas spot price was \$5.32 per Mcf in February 2010. EIA projects an annual average Henry Hub spot price of \$5.17 per Mcf for calendar year 2010. Prices per Mcf averaged \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average above \$80 per barrel this spring, rising to about \$82 per barrel by the end of the year. The WTI spot price for crude oil averaged per barrel averaged \$62 in 2009, \$100 in 2008, and \$72 in 2007.

EIA anticipates 1st quarter natural gas consumption in the electric power sector will be about 17% above the 5-year average.

Consumption. U.S. total natural gas consumption is projected to increase by .7% in 2010. Frigid temperatures combined with electric space heating in the southeast contributed to a "very strong" increase in natural gas consumption in the electric power sector in

January and February of this year. U.S. total natural gas consumption fell by 1.5% in 2009.

Production. Total U.S. marketed natural gas production is expected to decline by 2.7% in 2010. Although the number of natural gas rigs increased significantly in the past year, EIA projects a decline in 2010 production because of the "lag time arising from low drilling rates last year and steep decline rates associated with newly-drilled wells." Production increased by 3.7% in 2009 and by 5.9% in 2008.

Imports. For 2010, EIA projects that liquefied natural gas (LNG) imports to the U.S. will increase by about 45%. U.S. LNG imports totaled 452 Bcf in 2009, 352 Bcf in 2008 and 771 Bcf in 2007. In 2009, the U.S. imported LNG from Egypt, Nigeria, Norway, Qatar, and Trinidad / Tobago.

Source for 2009 data on imports:

<http://geology.com/news/2010/lng-import-graph-2000-2009.shtml>

EIA source: <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Data

- April Natural Gas Futures Contract (Mar 12), NYMEX at Henry Hub closed at \$4.40
- April Light, Sweet Crude Oil Futures Contract (Mar 12), NYMEX at Cushing closed at \$81.24 per Bbl. or approximately \$12.94 per MMBtu

Last week: Most of Texas Warmer Than Normal

For the heating season (7/1/09 to 6/30/10), cumulative heating degree days are 17% above normal for Texas and 6% above normal for the U.S. For the week beginning 3/7/10 and ending 3/13/10, heating degree days for Texas and the U.S. were below normal.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 3/13/10	* Week HDD +/- from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	126	- 8	3890	+ 7 %
Austin	32	- 12	2032	+ 33 %
Dallas – FW	55	- 11	2378	+ 10 %
El Paso	76	+ 6	2250	- 2 %
Houston	20	+ 21	1639	+ 17 %
San Antonio	20	- 19	1658	+ 13 %
Texas**	44	- 14	2116	+ 17 %
U.S.**	98	- 11	3010	+ 6 %

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Gas Storage Level Dips to 1,626 Bcf

For the week ending 3/5/10, U.S. working gas in storage declined from 1,737 to 1,626 Bcf, compared to 1,697 Bcf in storage a year ago and compared to an average of 1,607 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) decreased from 580 to 548 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS STORAGE

Region	Week ending 3/5/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	789	861	- 72	+ .4 %
West	289	296	- 7	+ 23.5 %
Producing	548	580	- 32	- 6.6 %
Lower 48 Total	1626	1737	- 111	+ 1.2 %

Units in billion cubic feet (Bcf)

Last week: Gas Rig Count at 927, Up 1

The **gas** rig count for the U.S. was up 1 last week and up 43 when compared to 12 months ago. The U.S. **total** rig count was up 11 last week and up 281 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

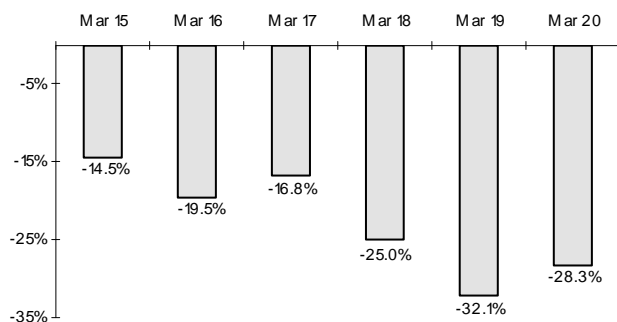
	As of 3/12/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1407	+ 11	1126	+ 281
Gas	927	+ 1	884	+ 43
Oil	466	+ 10	228	+ 238
Texas	590	+ 2	456	+ 134
N. Amer.	1886	- 53	1346	+ 540

This week: U.S. Energy Use Lower Than Norm

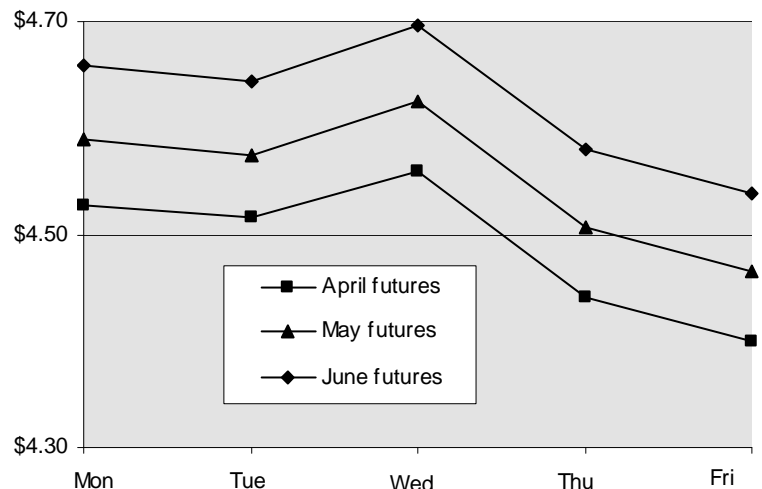
U.S. energy use is forecast to be significantly lower than normal, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

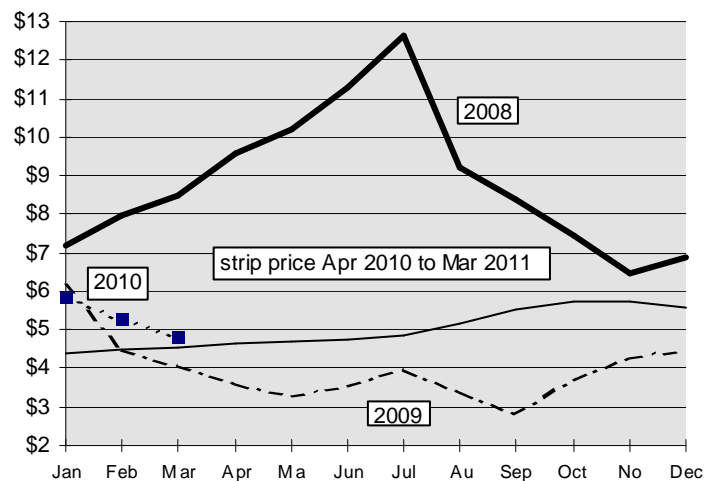
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 3/8/10 - 3/12/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 3/12/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$4.400	-\$0.193	\$0.769	\$4.907